



# City of El Paso Debt Management Policy

Regular City Council Meeting

December 5, 2005

Presented by: Financial Services



# What other Texas cities have one?

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- Austin
- Dallas
- Arlington
- Fort Worth
- Houston

# ■ Why a debt management policy?

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- Good management and planning
- Working structure
- Promotes stability and continuity
- Improve credit strength

# ■ Why a debt management policy?

- One of the “Six Critical Components of Strong Municipal Management”
  - Rating Methodology – Moody’s Investors Service
- One of the “best practices an issuer can employ to strengthen its credit position”
  - Fitch Investor Services

# ■ Why a debt management policy?

- Government Finance Officers Association (GFOA) recommendation
  - Recommended best practice
- KPMG Expanded Audit recommendation
  - One of Financial Policy Recommendations

# Key Components of Proposed Policy

- Objectives (Section 3.0)
  - Ensure that City establishes and maintains a solid position with respect to debt
  - Bonds will be paid back within a period of time not to exceed expected useful life of project
  - Decisions will be long-term
  - Debt service funds will be handled in accordance with all applicable laws

# Key Components of Proposed Policy (Continued)

- Financing Alternatives (Section 4.0)
  - General Obligation Bonds
  - Certificates of Obligation
  - Other types of debt

# ■ Financing Alternatives

Criteria	General Obligation Bonds	Certificates of Obligation	Other Types of Obligation
Size of issuance	> \$100 million	< \$100 million	Varied
Authorization Expectation	6 years	None	Varied
Commercial Paper Use?	Yes	No	No
Voter authorized debt?	Yes	No	Generally no



# Financing Alternatives (Continued)

Criteria	General Obligation Bonds	Certificates of Obligation	Other Types of Obligation
Use of Funds	New and expanded facilities; major repair/renovations to existing facilities	Infrastructure projects; rehabilitation and/or extension of useful life of existing structures; street resurfacing; capital acquisitions; emergency city facilities rehab; major core service facilities; generally used during interim between GO issuances	Varied
Quality of Life Projects?	Yes	No	Varied

# Financing Alternatives (Continued)

Criteria	General Obligation Bonds	Certificates of Obligation	Other Types of Obligation
Use of reimbursement resolutions?	Yes	Yes	Varied
Other criteria	Generally incorporated into City's CIP Plan	Immediate and urgent; necessary to prevent economic loss; source of revenue is specific; expected debt is most cost effective financial option available	Varied



# Key Components of Proposed Policy (Continued)

- Refunding of Debt (Section 5.0)
- Debt Limits (Section 6.0)
- Maturity Levels (Section 7.0)

# Key Components of Proposed Policy (Continued)

- Management of Debt Service Fund (Section 8.0)
  - Interest earnings to be used to fund:
    - Direct or related capital expenditures
    - Service current and future debt payments
  - Debt service reserves
    - Not to exceed a three-month reserve of the current year total debt service expenditure budget
    - Should exceed the debt service portion of the largest taxpayer's tax levy for the ensuing fiscal year

# Key Components of Proposed Policy (Continued)

- Debt Service Tax Rate (Section 9.0)
  - Maximum amount of twenty-five cents per \$100 valuation
- Ratings (Section 10.0)
  - Maintain good relationships with bond rating agencies
  - Timely disclosure of annual and other financial information
  - Obtain a rating from at least one nationally recognized bond-rating agency

# Key Components of Proposed Policy (Continued)

- Investment Policy Review (Section 11.0)
  - Policy to be reviewed bi-annually



 Questions?